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Viewing cable 10KYIV278, FORMER TYMOSHENKO INSIDER CALLS HER DESTRUCTIVE,

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Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

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Reference ID	Created	Released	Classification	Origin
10KYIV278	2010-02-24 12:05	2011-08-30 01:44	CONFIDENTIAL	Embassy Kyiv

Appears in these articles:

<http://www.spiegel.de>

VZCZCXRO1951
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C O N F I D E N T I A L SECTION 01 OF 03 KYIV 000278

SIPDIS

STATE FOR EUR/UMB AND EEB/OMA

E.O. 12958: DECL: 02/23/2030
TAGS: [PGOV](#) [EFIN](#) [PINR](#) [ECON](#) [PREL](#) [UP](#)
SUBJECT: FORMER TYMOSHENKO INSIDER CALLS HER DESTRUCTIVE,
WANTS HER OUT OF POWER

Classified By: Ambassador John F. Tefft for Reasons 1.4 (b) and (d)

¶1. (C) Summary. In a damning indictment of Prime Minister Yuliya Tymoshenko and her lack of leadership, respected xxxxxxxxxxxx argued that Tymoshenko would continue to work against reform. To limit her destructiveness, xxxxxxxxxxxx argued for early parliamentary elections, which would help strengthen new leaders such as Tihipko and Yatsenyuk. He also expressed hope that the International Monetary Fund (IMF) would strictly hold Ukraine to its commitments to implement reform. xxxxxxxxxxxx appeared to deliver his message not in anger, but in sincere sorrow for the country and frustration at his inability to convince Tymoshenko to take advantage of the opportunity presented by the economic crisis for reform. Instead, xxxxxxxxxxxx said Tymoshenko wasted the opportunity in favor of populism and a simple desire for all-embracing power. End Summary.

Tymoshenko: Power-hungry Populist

¶2. (C) During a meeting with the Ambassador on xxxxxxxxxxxx, accused Prime Minister Tymoshenko of wasting the opportunity for reform that came with the economic crisis. He believed that Tymoshenko would continue to work against reform, and that her argument would be that she and her government were able to make all domestic and international payments during the crisis without implementing what would amount to painful reforms for the public. In this sense, xxxxxxxxxxxx said the IMF program had actually harmed Ukraine. Neither the Ukrainian government nor the public suffered terribly from the crisis thanks to IMF money. As a result, support for change that would pull the economy out of crisis evaporated.

¶3. (C) xxxxxxxxxxxx said that it was an easy decision for Tymoshenko to do nothing to reform the economy. He was critical of her leadership skills and said that she made policy decisions without listening to considered advice. He found it difficult to understand Tymoshenko's logic most of the time, except in the sense that her decisions were normally guided by &adventurous populism.⁸ She also was overly confident in her own decisions and believed everyone else is wrong. xxxxxxxxxxxx concluded that Tymoshenko simply wanted to consolidate power in her own hands. In her eyes, populism helped her do this; reform would not. xxxxxxxxxxxx own frustration with his inability to influence policy xxxxxxxxxxxx.

Pre-term Parliamentary Elections Best for Country

¶4. (C) xxxxxxxxxxxx was certain that Tymoshenko would continue to act as a destructive force in &hard-core⁸ opposition to Yanukovych. As a result, he argued that pre-term parliamentary elections would be best for the country. He assumed BYuT and Our Ukraine would lose seats in Parliament with a pre-term election. It would also allow new voices, such as Serhiy Tihipko and Arseniy Yatsenyuk, to gain a stronger position. xxxxxxxxxxxx thought that the voters in the presidential election had shown that they wanted new leaders to come to power.

¶5. (C) Although elections would delay reform for a few more months, xxxxxxxxxxxx thought a new parliament would be more likely to implement reform. He understood that this could delay the return of the IMF to Ukraine; but, xxxxxxxxxxxx argued that the country could get through the next six months on its reserves, particularly if no new budget were adopted. The lack of a budget limited the government's ability to spend, he said. In fact, xxxxxxxxxxxx argued that pushing the country into a deeper crisis could actually be a benefit because voters and the leaders would feel the need for change more acutely.

¶6. (C) xxxxxxxxxxxxxx argued that in the 1990s and in 2000, when the economy was truly in crisis, Ukraine had made some positive changes that led to growth. Ukraine again had a unique opportunity to reform the structure of the government itself, to tackle corruption, and to implement economic reform that would put the country back on the path to growth. He agreed with the conditions contained in the IMF package for Ukraine, including gas price increases and pension reform, but said that the IMF should be stricter in forcing adherence. xxxxxxxxxxxxxx passed the Ambassador two documents, xxxxxxxxxxxxxx, outlining his reform priorities. The papers are copied below, paras 8 and 9.

Comment

¶7. (C) xxxxxxxxxxxxxx appeared to deliver his message not in anger, but in sorrow for the country and in frustration at his inability to convince Tymoshenko to take advantage of the opportunity presented by the economic crisis for reform. His indictment of Tymoshenko was particularly damning xxxxxxxxxxxxxx, one of the few we have found in high-levels of government in Ukraine. It is unfortunate that Tymoshenko's unwillingness to make the hard decisions has cost the country dearly, not only in terms of larger deficits, greater public debt, and declining GDP, but also in that she has driven out intelligent, xxxxxxxxxxxxxx.

Preventative Measures

¶8. (U) Unofficial translation of xxxxxxxxxxxxxx ten preventative measures for Ukraine.

¶A. Government reform (functional structure). Eliminate six ministries; subordinate other government bodies to the ministries.

¶B. Increase the pension age: two years up for men; 3 years up for women. Cancel the right of early retirement and length of service calculation when one year is counted as two. (Note: For every year of work, workers in hazardous sectors -- such as steel workers and miners -- receive credit for two years worked. AT the end of 20 years at work, for example, miners' pensions are calculated on the basis of having worked 40 years.)

¶C. Limit pensions for working pensioners.

¶D. Cancel special pensions -- these were distributed to high-level government officials, judges, scientists, or managers at state-owned firms and are higher than normal pensions.

¶E. Double gas prices for public consumption. Increase gas prices 50% for consumption by municipal heating companies. Increase electricity prices by 40%.

¶F. Grant the authority to set prices to public service providers (for 2 years); increase service prices simultaneously with gas prices.

¶G. Cancel the legislative provision banning communal service providers from cutting off or fining consumers for non-payment of communal services.

¶H. Increase excise duty for petrol by EUR 60 (Note: Not clear on what volume. end note.) Cancel preferential rates, increase vehicle owner taxes by 50%.

¶I. Keep the minimum subsistence-level payment unchanged but introduce extra payments for the needy.

¶J. Bind privileges and social payments to incomes: if incomes are high, privileges and social payments will be lower.

Priority Reform Measures for the New Government

¶9. (U) Below is xxxxxxxxxxxx paper on priority reform for the new government.

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Pensions:

¶1. Pension age increase (currently pension age is 55 for women; 60 for men).

¶2. Abolish special pensions

¶3. Limit pensions to working pensioners

¶4. Set pension age for military to age 60.

¶5. Abolish norm of retirement prior to pension age.

Energy Sector:

¶1. Imminent increase of gas prices for households 2 times; additional 50% increase on July 1. Cancel Government Resolution requiring Trade Unions' consent for gas price increase.

¶2. Immediate increase of gas price for heating entities 50%; additional 30% by July 1.

¶3. Electricity tariff increase by 40%.

¶4. Privatization of all coal mines and cancelling of all subsidies to coal mining sector.

Benefits:

¶1. Elimination of benefits for communal services, transportation, etc.

¶2. Elimination of government support for birth assistance, free meals and school books. (Families should pay.)

Communal Services:

¶1. No new tax benefits.

¶2. Limit Single Tax Payers (STP) status.

¶3. Cancel special VAT regimes for rural areas.

¶4. Cancel VAT exemptions for pharmaceuticals.

¶5. Increase Excise tax for gasoline; increase auto-owners tax by 50%; unify excise tax.

¶6. Cancel double taxation treaty with Cyprus (today it is zero.)

Rural Issues:

¶1. Cancel moratorium on land sales.

¶2. Ban subsidies for pork and chicken meat.

Public Administration:

¶1. Reduce size of government to 14 ministries. One deputy prime minister. Abolish Minister of the Cabinet of Ministries position. Eliminate 6 ministries.

¶2. Subordinate all government entities to ministries (for instance, the Tax Administration, Customs Service, State Property Fund -- to MinFin.)

¶3. Limit extra payments to government officials.

Other Social Funds

¶1. Temporary subordination to the government.

¶2. Cancel free tours for vacations.

¶3. Cancel any subsidies to businesses.

¶4. Unemployment subsidy payable only after minimum of 6 months of employment.

¶5. Introduce sick leave payment at 70% of income, but not less than subsistence level.

¶6. Sick leave payment starting only from 3rd day of leave.

¶7. Money saved from above should go to the Pension Fund.

Prices:

¶1. Increase prices for transport; cancel transport benefits.

End xxxxxxxxxxxx.

Tefft